Innovation

It's Our History

100 YEARS OF TRUST

1901 - 2001

Walgreens

2000 ANNUAL REPORT

1nn0vati0n

Charles R. Walgreen Sr.

Walgreens, founded one hundred years ago by Charles R. Walgreen Sr., is one of the fastest growing retailers in the United States and leads the chain drugstore industry in sales, profits and store growth. Our strategy is to be the nation's most convenient — and most technologically advanced — healthcare retailer.

Sales in 2000 reached $21.2 billion, generated by 3,165 stores in 43 states and Puerto Rico. We filled 288 million prescriptions — nearly 10 percent of the U.S. retail market and more per store than all major competitors.

Walgreens has more than 115,000 employees and 88,000 shareholders of record. Our stores serve 2.8 million customers daily and average $6.4 million in annual sales. That's $610 per square foot, among the highest in the chain drugstore industry.

Walgreens is guided by a conservative fiscal policy and dedicated to aggressive growth. We've paid dividends in every quarter since 1933 and have raised them in each of the past 24 years. Since 1980, we've had seven two-for-one stock splits. With a market capitalization of $33.2 billion as of August 31, 2000, Walgreens ranks third among U.S. retailers and fifth in the world.

Open medicine cabinets in millions of homes and find a large percentage with Walgreen prescription vials. Spend a lunch hour in a downtown Walgreens and watch office workers stream in for sandwiches, pantyhose and birthday cards. Look through photo albums across the country and count the number

It's Our History

of Walgreen-processed pictures. We are the brand established in 1901 by an innovative, imaginative man who spent almost 40 years discovering ways to serve drugstore customers better. That culture of innovation . . . that energy . . . drives Walgreen Co. today as we launch our second century with the most aggressive growth plans in our history.

FINANCIAL HIGHLIGHTS

For the Years Ended August 31, 2000 and 1999

(In Millions, except per share data)	*2000*	*1999*	*Increase*
Net Sales	**$21,206.9**	**$17,838.8**	**18.9%**
Net Earnings	**$ 776.9**	**$ 624.1**	**24.5%**
Net Earnings per Common Share (diluted)	**$ .76**	**$ .62**	**22.6%**
Shareholders' Equity	**$ 4,234.0**	**$ 3,484.3**	**21.5%**
Return on Average Shareholders' Equity	**20.1%**	**19.7%**	
Closing Stock Price per Common Share	**$ 32⅞**	**$ 23³⁄₁₆**	
Total Market Value of Common Stock	**$ 33,231**	**$ 23,281**	**42.7%**
Dividends Declared per Common Share	**$ .135**	**$ .13**	**3.8%**
Average Shares Outstanding (diluted)	**1,019.9**	**1,014.3**	

WALGREEN STOCK PERFORMANCE

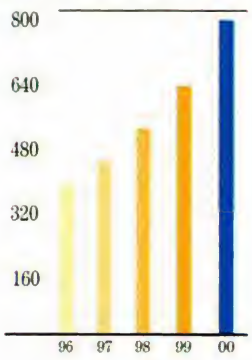
10 YEARS

On August 31, 1990, 100 shares of Walgreen stock sold for $4,562. Ten years later, on August 31, 2000, those 100 shares, having split four times, were 1,600 shares worth $52,600, for a gain of 1,053 percent.

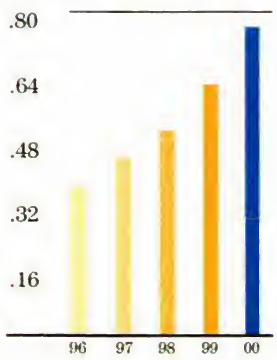
20 YEARS

On August 31, 1980, 100 shares of Walgreen stock sold for $3,788. Twenty years later, those 100 shares, having split seven times, were 12,800 shares worth $420,800, for a gain of 11,009 percent.

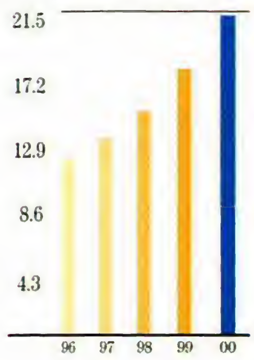
Earnings
Millions of Dollars



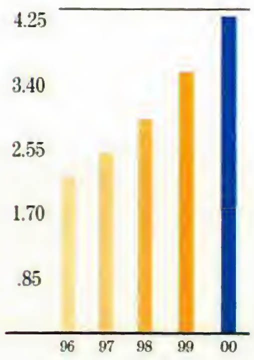
Earnings per Share (diluted)
Dollars



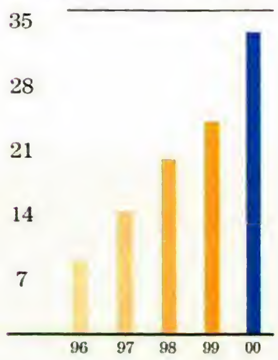
Sales
Billions of Dollars



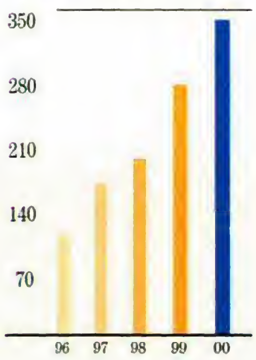
Shareholders' Equity
Dollars per Share



Stock Performance
*Closing Price per Share**



Net Store Growth
Number of Stores



* *Prices are adjusted for two-for-one stock splits in 1997 and 1999.*

QUESTIONS AND ANSWERS FOR OUR SHAREHOLDERS

November 20, 2000

L. Daniel Jorndt
Chairman and Chief
Executive Officer

David W. Bernauer
President and Chief
Operating Officer

A *Wall Street Journal* reporter told us recently, "We don't write about Walgreens much because you're so boringly consistent." Well, if 26 years of consecutive earnings growth – and 12 straight years of increased store openings – equal "boring," we'll take that adjective any day. The year 2000 was another positive one for Walgreens. Despite opening a record 462 new stores, earnings increased 21.2 percent, excluding a one-time gain, on sales growth of nearly 19 percent. At the start of 2001 – our centennial year – the future for Walgreens has never been brighter.

How is store growth impacting earnings?

CEO Dan Jorndt: Opening 462 stores *definitely* impacts earnings. New stores take two to three years to reach profitability. So, short-term – sure, we could pump up earnings by slowing growth. But long-term, few shareholders would thank us. Right now, more than 1,000 of our stores are less than three years old. That puts us in excellent position as these stores become profitable. Growth is a huge challenge, but it's also the right thing to do and this is absolutely the best time in our history to do it.

How many stores will you add in 2001?

President Dave Bernauer: Approximately 500 – a new store every 17 hours. And we plan to stay at that level for the foreseeable future. Our goal is 6,000 stores by 2010 and research shows there's room for more than 10,000 Walgreens across America. We've established a beachhead in every new market where we must be to meet our goals, including Atlanta, Los Angeles and San Diego. That's why, at this time, we've put international expansion on the back burner. We just see so much opportunity in the U.S.

Are you still relocating stores?

Jorndt: Yes, and that will always be part of our strategy, as we strive to keep our chain fresh. Our average store age today is just five-and-a-half years and that will continue to decline. But relocations have slowed as a percent of new stores. Our *net* growth for 2000 was 344 stores – during a period when our major competitors experienced flat or negative net growth. Many worry that the U.S. is "over-drugstored." The fact is that total stores operated by the four leading chains – Walgreens, CVS, Rite Aid and Eckerd – actually declined by 42 last year, making our gain all the more significant.

Walgreen management gathered with state and city officials May 11 to cut the ribbon at the chain's 3,000th store in Chicago's Greektown. That day also marked the announcement of *Option 3000*, a program that granted 75 to 500 option shares of Walgreen stock to every employee.

Aren't you diluting sales by putting stores so close together... just cannibalizing yourself?

BERNAUER: I haven't gone to a party in two years where that question hasn't come up. The answer is *yes* – when we open a store very near another one, the old store usually sees a drop in sales. But in virtually every case, it builds back to its original volume and beyond. Here's the scenario: as you add stores, overall sales in the market increase, while expenses are spread over a larger base. Bottom line, *profitability* increases. Our most profitable markets are the ones where we've built the strongest market share.

Can you explain the one-time gain that added 2 cents per share to earnings?

JORNDT: In the fourth quarter we received partial payment for our share of a nationwide class-action lawsuit... we're told an additional payment will be made in fiscal '01. Briefly, the suit alleged that brand name pharmaceutical manufacturers improperly charged community drugstores more than other providers, such as hospitals and HMOs. But while it's nice to have the extra cash, we want to stress this was a one-time gain.

What about e-commerce? Is there a long-term future?

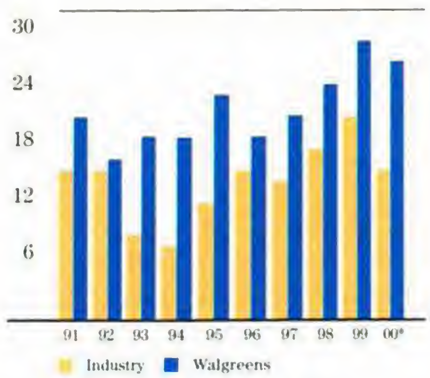
BERNAUER: Though there's a lot of carnage on the early e-commerce road, we definitely see a future for *walgreens.com*. That's *not*, however, in "delivered-to-your-door" merchandise. Frankly, we never thought there'd be a big demand for prescriptions by mail, and we were correct – well over 90 percent of prescription orders placed through our website are for store pickup. It's not convenient, when you need a prescription or a few drugstore items, to wait three days for it to show up.

What *does* excite us is using the Internet to provide better service and information... we're already communicating by e-mail with nearly 20,000 prescription customers per day. And I'm a *huge* proponent not only of the Internet, but of all retail technology, for the profitability it brings to our operations.

What is Walgreens biggest obstacle?

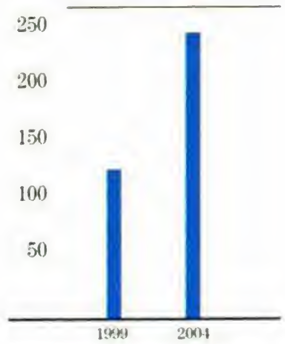
JORNDT: The current pharmacist shortage is the most challenging part of growth but has not altered our plans to open 500 stores this fiscal year. Pharmacist recruitment and retention efforts were significantly expanded last year and continue to be a top initiative. Relative to the industry, we're in better shape today than a year ago.

Growth Rate of Prescription Sales
Calendar Year Percent Change vs. Year Ago

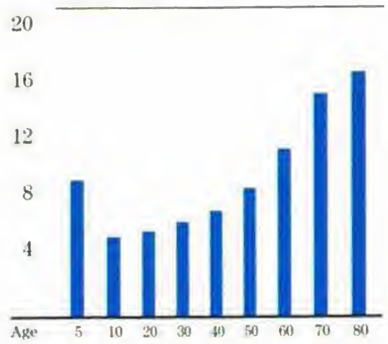


**First six months in calendar 2000*

Forecast of U.S. Prescription Sales Growth
Billions of Dollars



Boomers Drive Pharmacy Growth
Individual Prescriptions Taken Annually, by Age



What would Medicare prescription coverage mean to Walgreens?

JORNDT: First, due to the heavy taxpayer cost, we believe the government will take a "crawl, walk, run" approach to prescription coverage for seniors. But whatever plan passes, sales should increase and, in total, the impact on Walgreens should be positive. Since 1990, the percent of prescriptions covered by third party payers (versus cash customers) has grown from 40 to 86 percent. And while the aggressive deals sought by managed care companies have meant a decline in gross margins, we've managed to keep our pharmacies profitable through increased volume on top of better and better technology. Yes, the third party percent would climb even higher with Medicare legislation, but the biggest move away from cash business is behind us.

Besides Medicare reform, what's driving prescription growth?

BERNAUER: The charts above tell the story – due to the aging of the population and the availability of new drugs, dollars spent on prescriptions are expected to nearly double by 2004. We're prepared *right now* with the department layouts, technology and workflow to handle this boom.

WE ARE BLESSED AT WALGREENS with a workforce deep in experience, loyalty and retail talent. In January, one of the best of these people – a man who has played a critical role in our recent quarter century of success – will retire: Vern Brunner, executive vice president of marketing. We would not be in our market-leading position without Vern's genius. His successor is Jeff Rein, a pharmacist with 18 years of operations, finance, systems and marketing experience. We wish both the best of luck in their new roles.

Vernon A. Brunner
Executive Vice President – Marketing

And to you, our readers – *thank you* for the faith you have in this company. Celebrating one hundred years of drugstore service to America is a momentous achievement that could never have been accomplished without strong belief in Walgreens... from Charles R. Walgreen Sr. in 1901 to the millions of customers, employees and shareholders who are touched in some way by the Walgreen name every day.

L. Daniel Jorndt
Chairman & CEO

David W. Bernauer
President & COO

1901

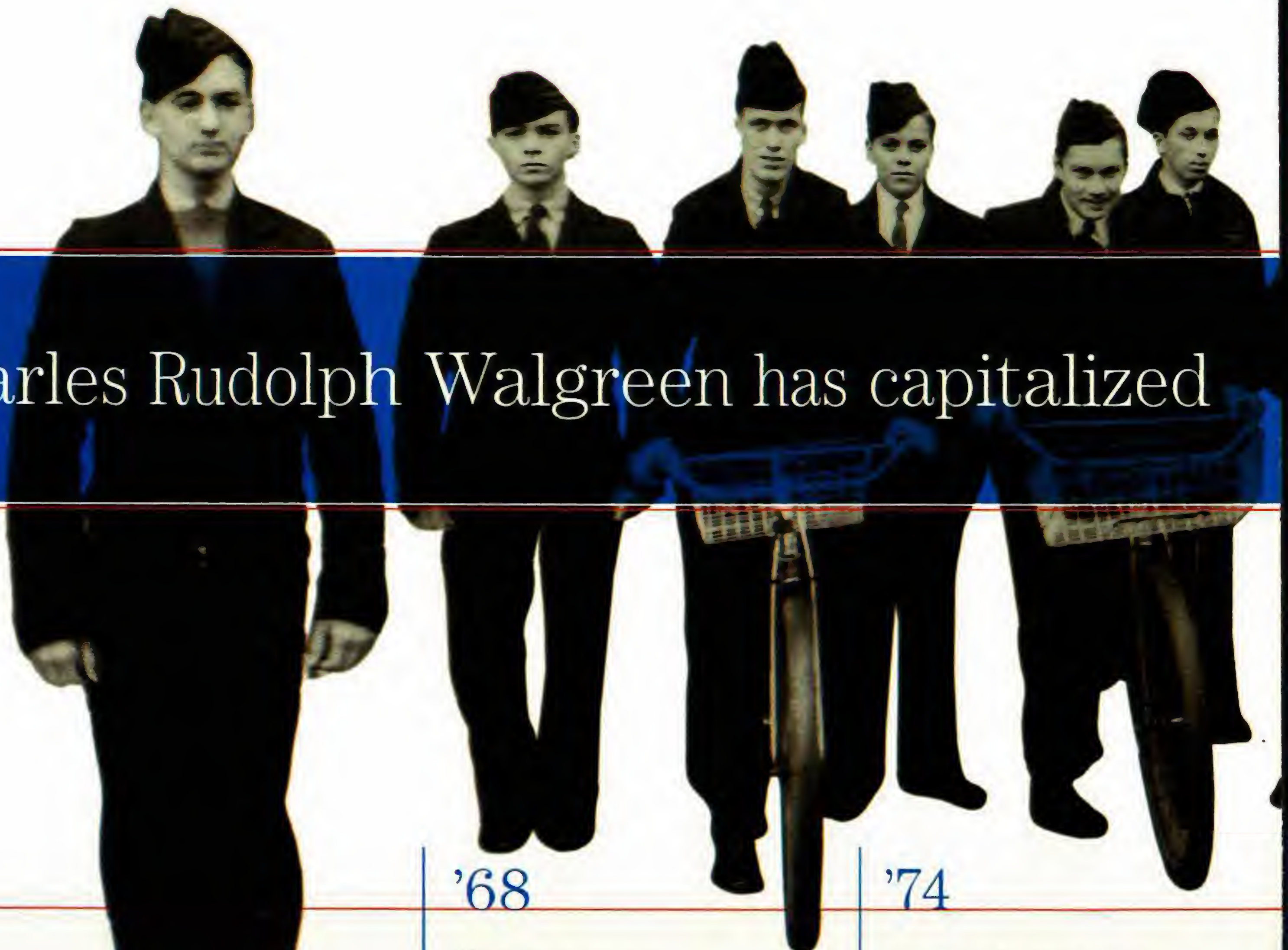
Charles R. Walgreen pays $6,000 to purchase the Chicago drugstore at Cottage Grove and Bowen avenues, where he has been working as a pharmacist. The Walgreen chain begins!

'19

The first issue of *Pepper Pod*, a monthly publication for employees and customers, announces Walgreens now has 19 stores with the 20th opening soon. This transforms the company into what at the time is considered a large drugstore chain.

'27

Walgreens is listed on the New York Stock Exchange with its ticker tape code of "WAG." A year later, the firm has 185 stores with 75 percent in the Chicago area. Other areas include Milwaukee, Rochester (New York), Memphis and Louisville.



"Charles Rudolph Walgreen has capitalized

'68

With safety always a top priority, Walgreens becomes the first major drug chain to use child-resistant containers for prescriptions, long before law requires it.

'74

Walgreens begins to upgrade its distribution network, investing in new facilities and sophisticated computerized systems. Today there are 10 distribution centers nationwide, two under construction and another set for groundbreaking in 2001.

'33

Walgreens celebrates Chicago's spectacular Century of Progress by opening four stores on the fairgrounds, demonstrating the modernization of drugstore layout and design.

'39

Charles R. Walgreen Sr. dies at the age of 66. In 1941, proceeds from his life insurance policy are used to establish a Walgreen profit sharing retirement plan for employees – one of the first offered by a U.S. corporation.

'50

Walgreens pioneers the transition from total clerk-service to self-service stores with large pharmacies. The company opens its first self-service store built from the ground up in Cincinnati.

Walgreens innovative spirit marches on over time. In this 1939 photograph, squadrons of Walgreen bicycle delivery boys stand at attention on Chicago's South Side.

on the simple use of his imagination..."

Fortune Magazine, 1935

'81

Walgreens installs its proprietary Intercom computer system in five Des Moines, Iowa, stores, taking the initial step toward being the first drugstore chain to connect all its pharmacies by satellite.

'91

The company leads its industry in establishing freestanding, drive-thru stores created for customer convenience. Currently, two-thirds of Walgreen stores are freestanding and offer drive-thru pharmacies.

2001

Walgreens celebrates its own century of progress as it enters the new millennium with more than 3,000 stores in 43 states and Puerto Rico. Plans call for doubling that number to 6,000 by 2010.

"Pharmacy is the heart of our company."

— Charles R. Walgreen Jr., 1951

"CHARLES RUDOLPH WALGREEN HAS CAPITALIZED ON THE SIMPLE USE OF HIS IMAGINATION . . . NO MORE IS NECESSARY."

So stated a *Fortune* article about Walgreens founder in 1935, when he had built the company he started in 1901 to 500 stores. There is no question that C. R. Walgreen Sr. was one of the most innovative retailers of the 20th century. When he died in 1939, he passed on that legacy, and today–at 100 years old–Walgreens continues to drive profitability through innovative site selection, pharmacy service, merchandising and inventory management.

We Save Time for Families

"Time," says consumer authority Faith Popcorn, is becoming "the new money... most people would rather spend money than time." Walgreens has followed this trend since the 1980s and constantly evolves its stores to save people time for the important things in their lives.

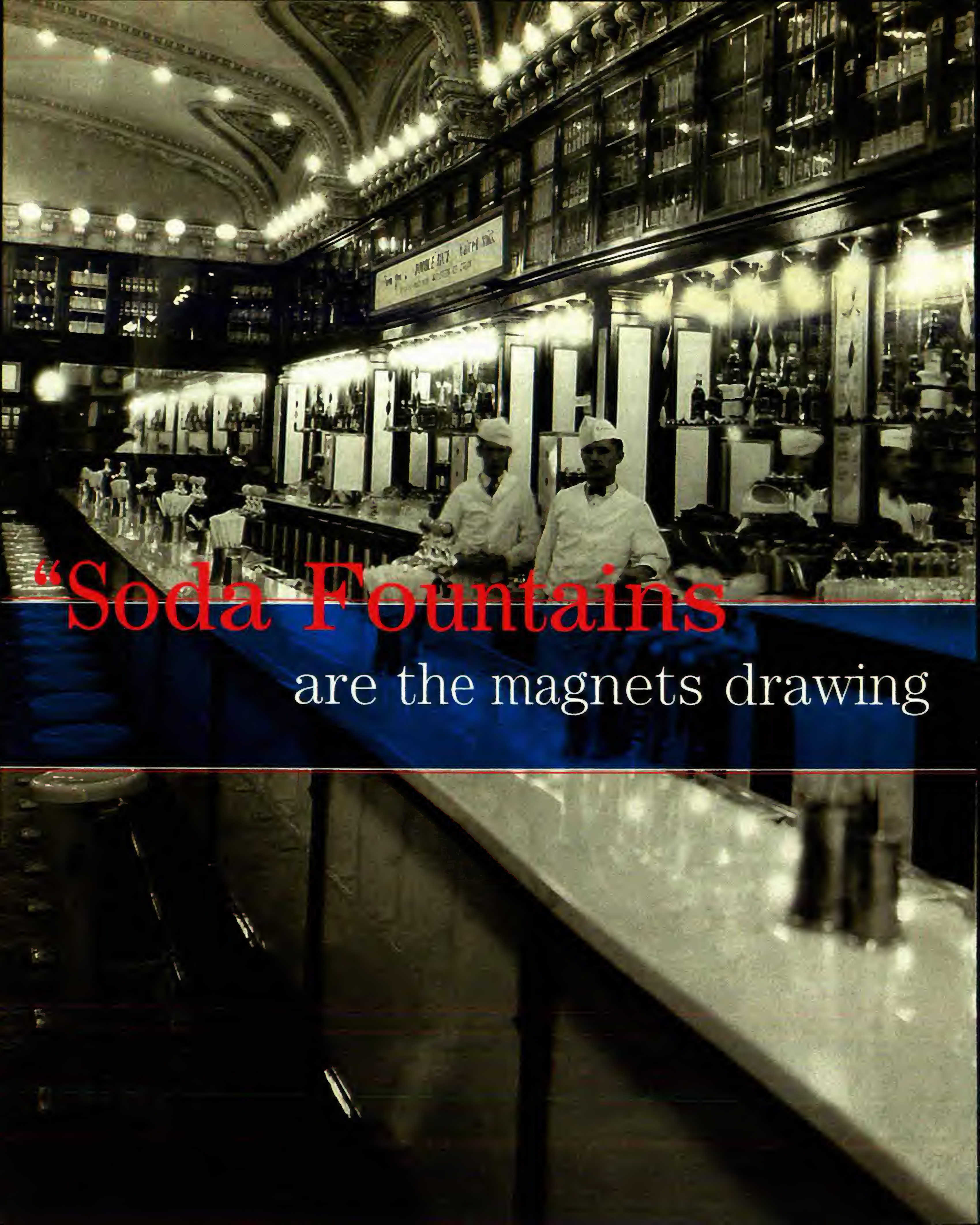
In the pharmacy, we increase convenience and choice so patients can get what they need anytime, anywhere, anyhow. As of press time, we've gone from 55 24-hour stores a decade ago to more than 700 today, and from one drive-thru pharmacy to more than 2,100.

Other options allow patients to order prescriptions using a touch-tone phone or the Internet. Approximately 5,000 refills now come through *walgreens.com* daily. We also added 18,000 nonprescription items to our website this fall to increase customer convenience.

Home meal replacement has become a $100 billion business industry-wide. In our food sections, Walgreens carries staples as well as frozen dinners, desserts, pizzas – great for on-the-way-home commuters. In approximately 100 stores, expanded food sections carry such items as fruit, ready-to-eat salads ... and in one San Francisco store, even sushi.

In the photo department, we build loyalty through a wide selection of products and the service of trained technicians. Walgreens experimented with 1-hour photo service as early as 1982,

With prescription sales accounting for 55 percent of its business, Walgreens averages 263 prescriptions per store per day. In fiscal 2000, employees such as JoAnne Lundquist, a Chicago-area pharmacist (left), contributed to filling a total of 288 million prescriptions chainwide, face-to-face or online – that represents nearly 10 percent of the U.S. retail prescription market.



"Soda Fountains

are the magnets drawing

but it was the mid-1990s before, as CEO Dan Jorndt says, "We really figured it out." Since 1998, 1-hour processing has been available chainwide, made profitable by our high volume of business. We've introduced several digital photo products that are selling well and are evaluating the long-term impact of digital on the mass market.

Walgreens is Organically Grown

Innovation fuels success, but carefully honed operations and well-financed growth ensure long-term profitability. Walgreens is one of the fastest-growing retailers in America and the only major drugstore chain whose growth is not by acquisition... our expansion is organic.

In 2000, we opened 462 stores without incurring debt. We anticipate short-term borrowing this year to achieve plans for 500 new stores, major distribution expansion and systems development. Our strategy is to open 500 new stores a year for the foreseeable future, with the goal of operating 6,000 by 2010.

Following the Snowbirds

Like it or not, prescription use rises with age. That means opportunities for drugstores everywhere, particularly where the snowbirds flock. With our entrance into Atlanta this year with nine stores, we now have a presence in all Sunbelt states where baby boomers will retire – Florida, Texas, California, Arizona, Georgia and the Carolinas. Atlanta will be a major Walgreen growth market, as will Los Angeles, San Diego and other Southern California cities.

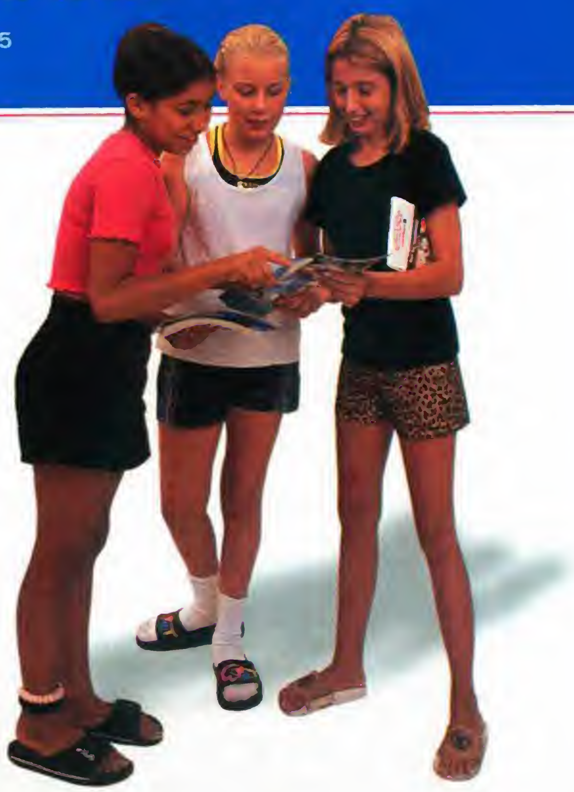
To support store expansion, new distribution centers are under construction in West Palm Beach, Florida, and the Dallas metropolitan area. Another is planned for northern Ohio. We will also expand our Woodland, California, center in 2001.

The current pharmacist shortage is the most challenging part of growth. However, while we have spot shortages, we expect to recruit the pharmacists needed to cover our 500 planned new stores in fiscal 2001. And in existing stores, we are experiencing minimal turnover.

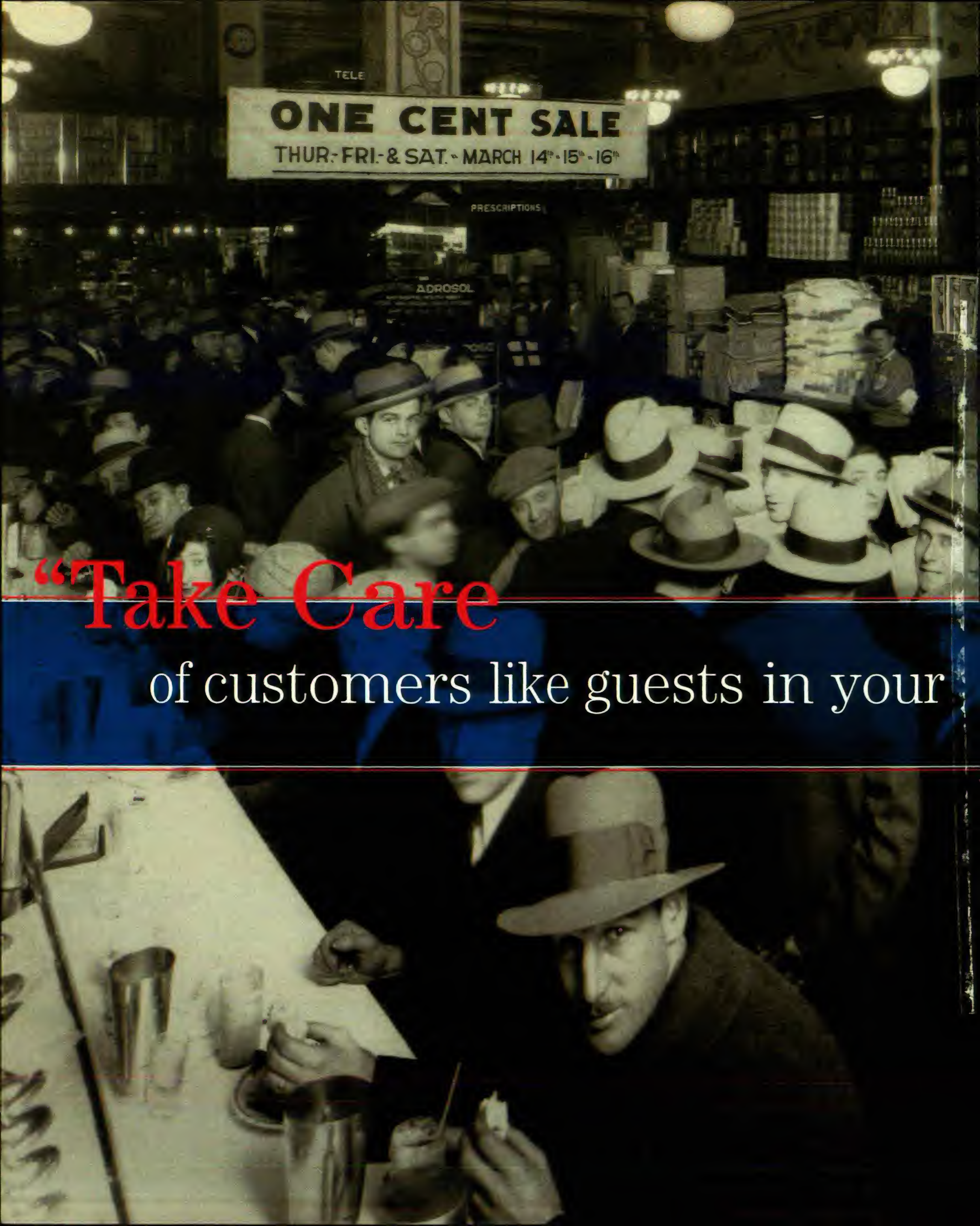
Walgreens benefits, stability, technology and pharmacy technician support are strong recruiting tools. Since 1997, we've invested significant dollars in training, certifying and improving pay rates for our technicians. We were the first major chain to adopt the Pharmacy Technician Certified Board exam as our standard.

customers into the stores."

— Charles R. Walgreen Sr., 1925



Founder Charles Walgreen's most famous early innovation – the soda fountain – eventually became a popular meeting place for millions of Americans in the first half of the 20th century. A Walgreen "soda jerk" invented the chocolate malted milkshake in 1922. Soda fountains brought customers into the stores then, the same way Walgreens convenience food and 1-hour photo departments are meeting the needs of today's shoppers.



“Take Care

of customers like guests in your

Beyond Traditional Pharmacy

Walgreens is also adding pharmaceutical services that go beyond the traditional drugstore counter. For example, our specialty pharmacy program assists people with chronic illnesses demanding complicated and costly pharmaceutical use.

Walgreens Pharmaceutical Care Center in Cincinnati serves patients with cystic fibrosis, growth hormone deficiency, HIV/AIDS, multiple sclerosis and viral hepatitis. Specially trained pharmacists monitor therapy, address insurance issues, consult with physicians, arrange special deliveries and provide counseling.

Our managed care division, Walgreens Health Initiatives, provides services including pharmacy benefits management, mail service prescriptions and home care services.

Our Computers Speak the Walgreen Language

For decades, Walgreens has been a leader in technology development. We've built the systems to integrate our entire business – from inventory replenishment . . . to distribution . . . to store merchandising . . . to the cash register.

Intercom Plus, a pharmacy computer/workflow system with electronic drug reorder, was rolled out in 1997 and is continually upgraded. It was built to support filling over 500 prescriptions per store per day and prepares us to meet the 33 percent increase in prescription numbers forecast over the next five years.

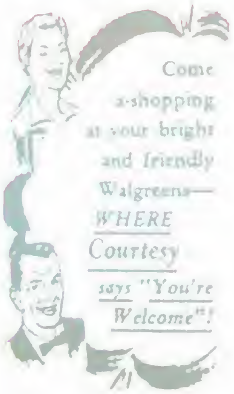
Another proprietary system is SIMS (strategic inventory management system), which manages inventory from vendor to cash register. SIMS has saved Walgreens $1 billion in inventory investment this past decade. In 2000, we began development of SIMS Plus, a second-generation Walgreen inventory system.

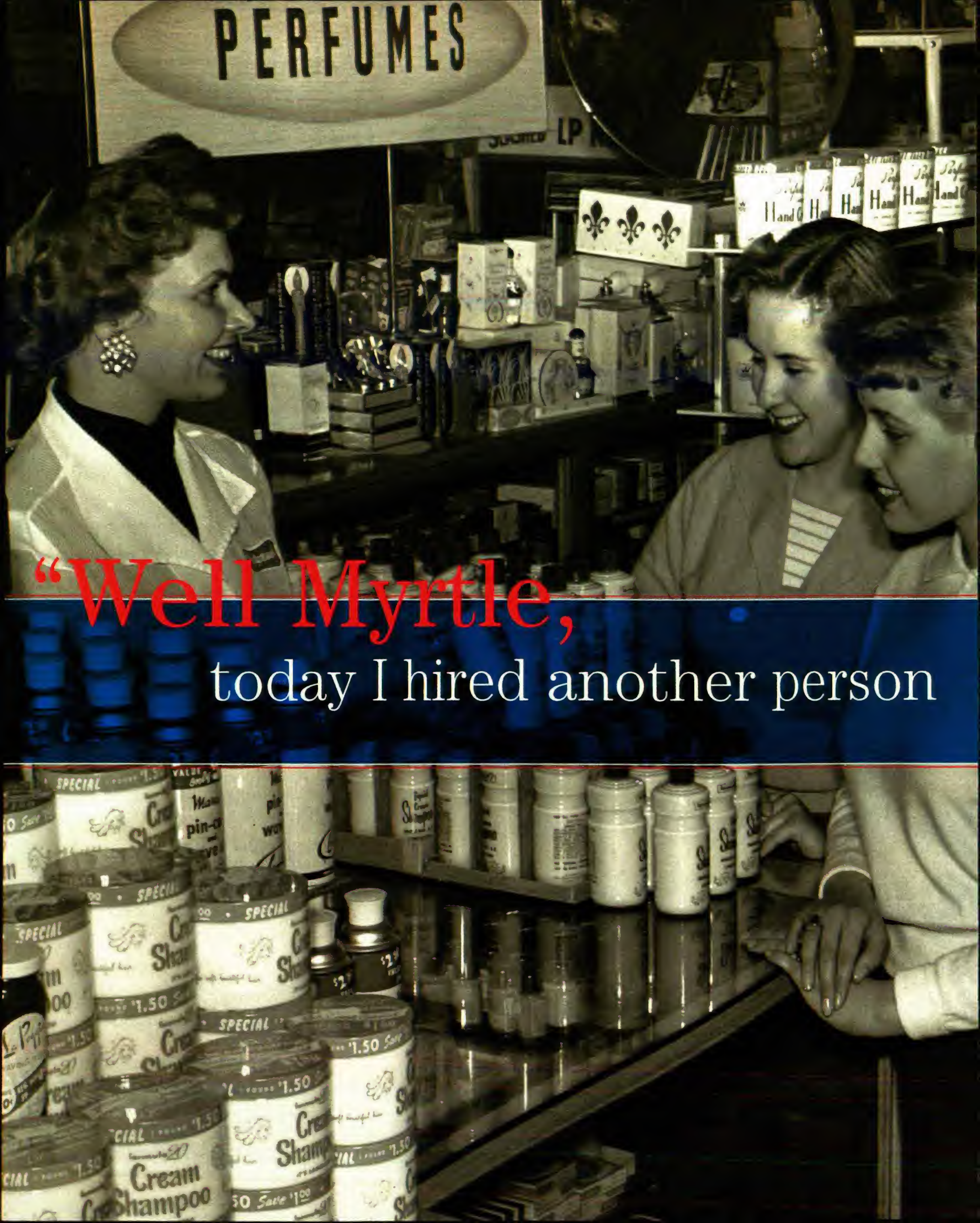
Walgreens targeted merchandising uses scanning information to tailor assortment and shelf placement to individual stores. Rollout started in 2000 and will expand to include many more

home."

— Charles R. Walgreen Sr.

Charles Walgreen's uncanny ability to attract customers was demonstrated by promotions such as the "One Cent Sale" (left), which packed people into this New York City store in 1929. Walgreens continues to pull people in with features such as freestanding corner locations, convenient parking and an easy-to-shop format with a broad selection of items.





"Well Myrtle,
today I hired another person

product categories in 2001. The system helps store managers adjust basic departments – like pain relief, foot needs, skin care – to the demographic groups in their one-to-two-mile trade areas. It is based on the premise that what we don't carry is as important to convenience as what we *do*.

42 Million Advertising Circulars — Every Sunday

Just as our founder drew customers to his 1920s stores with the famous "One Cent Sales," Walgreens continues to be highly promotional. We're a sales-driven company that pays intense attention to what propels shoppers to our stores. Yes, we stock the basics. But drugstores don't have to be boring. From diagnostic devices to Halloween masks to candy bars, we work with vendors to jump on trends and capture a disproportionate share of new product launches. We drive incremental sales by adding new products that tempt – even entertain – our shoppers.

This past year, we gained national market share in 46 of our 50 top-volume categories, vis-à-vis all drug, grocery and mass merchandise outlets. We're also outperforming grocers and discounters in most key categories, including skin care, fragrances and film. Ten percent of all private label health and beauty care products sold in drug, food and discount outlets are now rung up at Walgreens.

Our Principles: Simply Non-Negotiable

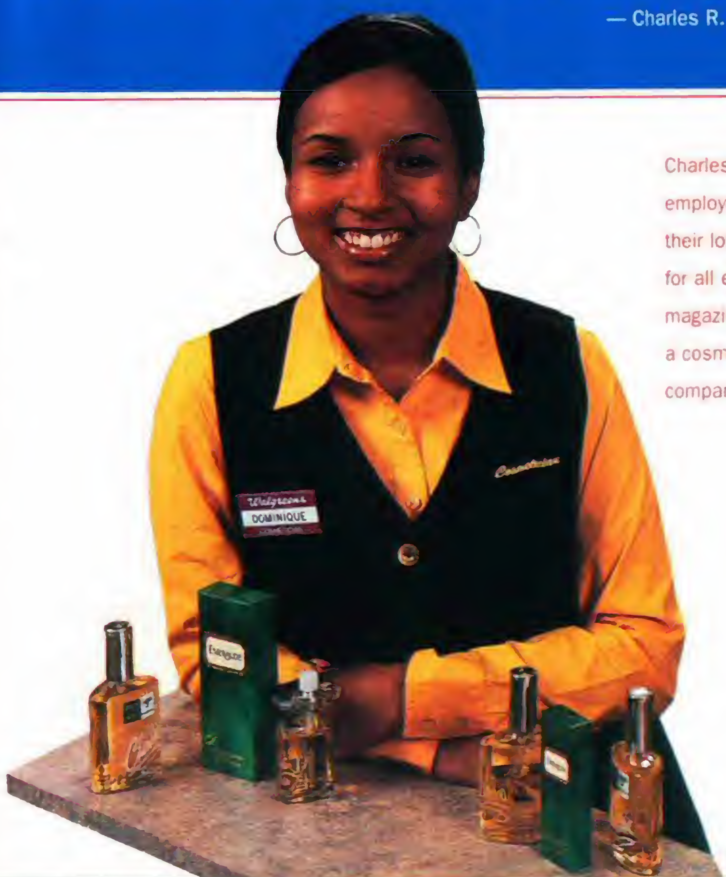
Throughout this report, we've focused on innovation. But while our tools change constantly, our basic business does not: We have a responsibility to provide quality healthcare and convenience to nearly three million customers every day.

In the early years of this company, Charles Walgreen Sr. worked out a basic creed. "We believe," he wrote, "in the goods we merchandise, in ourselves and in our ability to render satisfaction. We believe that honest goods can be sold to honest people by honest methods."

A century later, these principles are our foundation ... our backbone. They are simply non-negotiable.

smarter than myself."

— Charles R. Walgreen Sr., 1909



Charles' wife, Myrtle, had fond memories of her husband's interest in employees. He hired good people, gave them responsibility and earned their loyalty. Today, Walgreens benefits program, with a stock option plan for all employees, ranks as one of the most admired, according to *Money* magazine. Option 3000 allows employees like Dominique Duplechain (left), a cosmetician in Charlotte, North Carolina, to more fully participate in her company's future.

Option 3000

Pharmacy

Walgreens offers the convenience of shopping for prescriptions whenever, wherever and however the patient wants, including mail service and *walgreens.com*. Walgreen prescriptions are easily transferable – customers who travel can pick up refills at any store nationwide.

Photo Departments

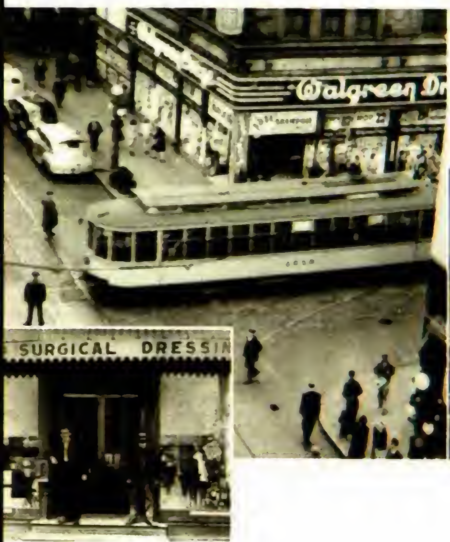
We want to be the place for "anything photo" – 1-hour and next-day processing, passport photos, copies from prints, photo greeting cards and gifts, and digital products such as photo CDs and disks. We are piloting a second-generation tracking and workflow system, which should be chainwide next year.

From the beginning, we knew a good corner meant good business. Location, location, location still rules our site selection strategy. We are the corner grocery, convenience store and drugstore. We operate stores in the neighborhoods of nearly 95 million Americans.

Corner

Chicago – 1927

St. Paul, Minnesota – 1941



Chicago – 1940

1,000th Store
Chicago – 1984

Frankfort, Illinois – 1999

First Store
Chicago – 1901

Denver – 1966

Chicago – 1940

St. Louis – 1957

Seasonal Merchandise

Walgreens seasonal merchandise accounts for approximately $1 billion in annual sales. Cards and candy are the heavy hitters, but we also carry novelty and decorative items. By offering a deep selection and featuring items exclusive to Walgreens, we've built loyal customers who return every year – many at the last minute.

24-Hour Stores

Not everyone gets sick at a convenient time. Now that more than 20 percent of our stores are open round-the-clock, it gives our patients convenience and support in a crisis anytime of the day or night. Today, most customers are 15 minutes or less from a 24-hour Walgreens store.

Inner Cities

For decades, Walgreens has been a fixture in the densely populated neighborhoods of cities such as Chicago, Houston, Miami, Oakland and the Bronx. We're the clean, safe, well-lit place to shop throughout America's inner cities. We're also a major employer in these neighborhoods and participate in several programs to train people who wish to move from welfare to work.

Cosmetics

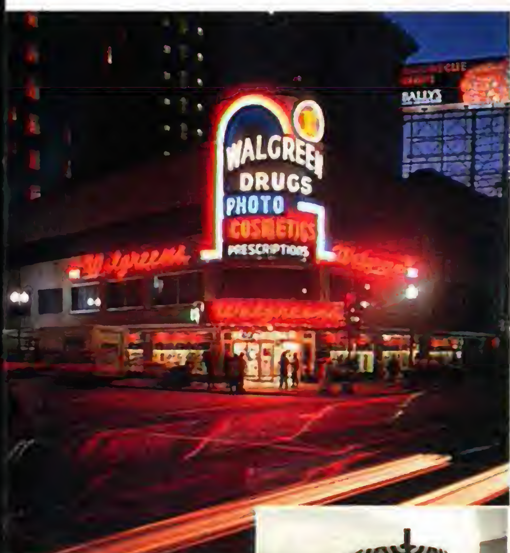
Walgreens cosmetic departments target everyone – from the pre-teen buying her first tube of lipstick to the grandmother seeking "age-defying" cream. We are the only drugstore chain to offer the services of cosmeticians.

Convenience Foods

Our food section meets "fill-in" grocery needs for families between major trips to the supermarket. In addition to the "bread-and-milk" basics, Walgreens offers "meal solutions" such as frozen dinners and pizza – quick and easy for people with tight schedules.

3,000th Store
Chicago – 2000

New Orleans – 1999



Colorado Springs – 1997

Omaha, Nebraska – 1943

Boca Raton, Florida – 1995

Grand Opening – 1950

Chicago – 1948

to corner

Distribution

A Walgreen-developed split case pick-to-lights system allows us to offer a broad selection of merchandise in a compact store. To understand the process, compare it to the megastore approach: "Big box" discounters are shipped full cases of a single product. Our stores receive boxes containing smaller quantities – "onesie-twosie" orders – of many different items.

Store Design

We pay close attention to store design. Close parking, wide aisles, bright lighting and organized layouts contribute to our conveniently sized, easy-to-shop format. Another plus is store-to-store consistency. Customers familiar with the layout of one Walgreens can easily find their way around another – facilitating quick in-and-out shopping.

Neighborhood Support

Walgreens contributes to local charities that benefit employees and customers in each of our store neighborhoods. On the national level, we raised nearly $2.5 million in 2000 for the Juvenile Diabetes Foundation, American Heart Association and American Cancer Society.

SELF-SERVICE STORE, 1950s

ELEVEN-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

Walgreen Co. and Subsidiaries (Dollars in Millions, except per share data)

Fiscal Year		*2000*	*1999*	*1998*
Net Sales		$21,206.9	$17,838.8	$15,306.6
Costs and Deductions	Cost of sales	15,465.9	12,978.6	11,139.4
	Selling, occupancy and administration	4,516.9	3,844.8	3,332.0
	Other (income) expense *(1)*	(39.2)	(11.9)	(41.9)
	Total Costs and Deductions	19,943.6	16,811.5	14,429.5
Earnings	Earnings before income tax provision and cumulative effect of accounting changes	1,263.3	1,027.3	877.1
	Income tax provision	486.4	403.2	339.9
	Earnings before cumulative effect of accounting changes	776.9	624.1	537.2
	Cumulative effect of accounting changes *(2)*	–	–	(26.4)
	Net Earnings	$ 776.9	$ 624.1	$ 510.8
Per Common Share *(3)*	Net earnings *(2)*			
	Basic	$ .77	$ .62	$ .51
	Diluted	.76	.62	.51
	Dividends declared	.14	.13	.13
	Book value	4.19	3.47	2.86
Non-Current Liabilities	Long-term debt	$ 18.2	$ 18.0	$ 13.6
	Deferred income taxes	101.6	74.8	89.1
	Other non-current liabilities	446.2	405.8	369.9
Assets and Equity	Total assets	$ 7,103.7	$ 5,906.7	$ 4,901.6
	Shareholders' equity	4,234.0	3,484.3	2,848.9
	Return on average shareholders' equity	20.1%	19.7%	19.6%
Drugstore Units	Year-end: Units *(4)*	3,165	2,821	2,549

(1) Fiscal 2000 includes pre-tax income of $33.5 million ($20.5 million after-tax or $.02 per share) from the partial payment of the brand name prescription drugs litigation settlement. Fiscal 1998 includes a pre-tax gain of $37.4 million ($22.9 million after-tax or $.02 per share) from the sale of the company's long-term care pharmacy business.

(2) Fiscal 1998 includes the $26.4 million ($.03 per share) charge from the cumulative effect of accounting change for system development costs. Fiscal 1993 includes the $23.6 million ($.02 per share) costs from the cumulative effect of accounting changes for postretirement benefits and income taxes.

(3) Per share data have been adjusted for two-for-one stock splits in 1999, 1997, 1995 and 1991.

(4) Units include mail service facilities.

LAGRANGE, ILLINOIS, 1938

1997	1996	1995	1994	1993	1992	1991	1990
$13,363.0	$11,778.4	$10,395.1	$9,235.0	$8,294.8	$7,475.0	$6,733.0	$6,047.5
9,681.8	8,514.9	7,482.3	6,614.4	5,959.0	5,377.7	4,829.2	4,356.4
2,972.5	2,659.5	2,392.7	2,164.9	1,929.6	1,738.8	1,582.7	1,406.9
(3.9)	(2.9)	(3.6)	(2.7)	6.5	5.5	9.1	3.3
12,650.4	11,171.5	9,871.4	8,776.6	7,895.1	7,122.0	6,421.0	5,766.6
712.6	606.9	523.7	458.4	399.7	353.0	312.0	280.9
276.1	235.2	202.9	176.5	154.4	132.4	117.0	106.3
436.5	371.7	320.8	281.9	245.3	220.6	195.0	174.6
–	–	–	–	(23.6)	–	–	–
$ 436.5	$ 371.7	$ 320.8	$ 281.9	$ 221.7	$ 220.6	$ 195.0	$ 174.6
$ .44	$ .38	$ .33	$ .29	$ .23	$ .22	$ .20	$ .18
.44	.37	.32	.29	.23	.22	.20	.18
.12	.11	.11	.09	.08	.07	.06	.05
2.40	2.08	1.82	1.60	1.40	1.25	1.10	.96
$ 3.3	$ 3.4	$ 2.4	$ 1.8	$ 6.2	$ 18.7	$ 123.0	$ 146.7
112.8	145.2	142.3	137.7	144.2	171.8	155.3	138.9
279.2	259.9	237.6	213.8	176.2	103.8	85.1	77.1
$ 4,207.1	$ 3,633.6	$ 3,252.6	$2,872.8	$2,506.0	$2,346.9	$2,074.4	$1,896.1
2,373.3	2,043.1	1,792.6	1,573.6	1,378.8	1,233.3	1,081.2	947.2
19.8%	19.4%	19.1%	19.1%	18.8%	19.1%	19.2%	19.7%
2,358	2,193	2,085	1,968	1,836	1,736	1,646	1,564

LITTLE ROCK, ARKANSAS, 1937

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

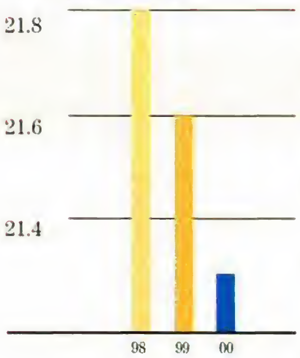
Results of Operations

Fiscal 2000 was the twenty-sixth consecutive year of record sales and earnings. Net earnings were $776.9 million or $.76 per share (diluted), an increase of 24.5% from last year's earnings of $624.1 million or $.62 per share. Included in this year's results was a $33.5 million pre-tax gain ($.02 per share) for a partial payment of the company's share of the brand name prescription drugs antitrust litigation settlement. Excluding the gain, fiscal year earnings rose 21.2% to $756.3 million or $.74 per share (diluted).

Total net sales increased by 18.9% to $21.2 billion in fiscal 2000 compared to increases of 16.5% in 1999 and 14.5% in 1998. Drugstore sales increases resulted from sales gains in existing stores and added sales from new stores, each of which include an indeterminate amount of market-driven price changes. Comparable drugstore (those open at least one year) sales were up 11.7% in 2000, 11.2% in 1999 and 9.4% in 1998. New store openings accounted for 10.6% of the sales gains in 2000, 10.0% in 1999 and 10.4% in 1998. The company operated 3,165 drugstores as of August 31, 2000, compared to 2,821 a year earlier.

Prescription sales increased 25.3% in 2000, 23.3% in 1999 and 20.6% in 1998. Comparable drugstore prescription sales were up 19.0% in 2000, 19.4% in 1999 and 15.6% in 1998. Prescription sales were 55.2% of total sales for fiscal 2000 compared to 52.4% in 1999 and 49.6% in 1998. Store-level third party sales, where reimbursement is received from managed care organizations and government and private insurance, were 85.1% of pharmacy sales in 2000, 82.4% in 1999 and 79.4% in 1998. Pharmacy sales trends are expected to continue primarily because of expansion into new markets, increased penetration in existing markets, availability of new drugs and demographic changes such as the aging population.

SG&A EXPENSE
(as a percent to sales)



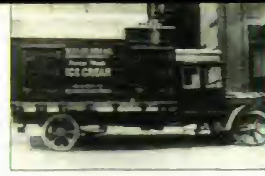
Gross margins as a percent of sales were 27.1% in 2000 and 27.2% in 1999 and 1998. The increase in third party sales as a percent of prescription sales, as well as a modest decrease in generic utilization rates, resulted in lower overall pharmacy margins. Margins improved slightly in the rest of the store.

The company uses the last-in, first-out (LIFO) method of inventory valuation. The effective LIFO inflation rates were 1.36% in 2000, 1.84% in 1999 and 2.15% in 1998, which resulted in charges to cost of sales of $38.8 million in 2000, $45.2 million in 1999 and $46.5 million in 1998. Inflation on prescription inventory was 3.5% in 2000, 5.2% in 1999 and 5.5% in 1998.

Selling, occupancy and administration expenses were 21.3% of sales in fiscal 2000, 21.6% of sales in fiscal 1999 and 21.8% of sales in fiscal 1998. The decrease in fiscal 2000, as a percent to sales, was caused by lower headquarters expenses and other fixed costs which are being spread over a larger base of stores. In addition to lower headquarters expenses, lower payroll and advertising expenses also contributed to the fiscal 1999 decline.

Interest income decreased in 2000 principally from lower investment levels. Average net investment levels were approximately $64 million in 2000, $220 million in 1999 and $72 million in 1998.

The effective tax rate decreased to 38.50% this fiscal year compared to 39.25% in fiscal 1999 and 38.75% in fiscal 1998. The decrease was principally the result of lower state income taxes and the settlement of various IRS matters.


ICE CREAM TRUCK, 1920s

Financial Condition

Cash and cash equivalents were $12.8 million at August 31, 2000, compared to $141.8 million at August 31, 1999. Short-term investment objectives are to maximize yields while minimizing risk and maintaining liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities.

Net cash provided by operating activities for fiscal 2000 was $971.7 million compared to $652.0 million a year ago. The company's profitability is the principal source for providing funds for expansion and remodeling programs, dividends to shareholders and funding for various technological improvements.

Capital Expenditures — Fiscal Year 2001
$1.4 billion to be spent

Net cash used for investing activities was $1.04 billion in fiscal 2000 and $645.5 million in 1999. Additions to property and equipment were $1.12 billion compared to $696.3 million last year. During the year, 462 new or relocated drugstores were opened. This compares to 386 new or relocated drugstores opened in the same period last year. New stores are owned or leased. There were 253 owned locations opened during the year or under construction at August 31, 2000, versus 131 for the same period last year. During fiscal 2000, the surrender of certain corporate-owned life insurance policies resulted in net proceeds of $47.7 million.

Capital expenditures for fiscal 2001 are expected to reach $1.4 billion. The company expects to open 500 new stores in fiscal 2001 and have a total of 6,000 drugstores by the year 2010. The company is continuing to relocate stores to more convenient and profitable freestanding locations. In addition to new stores, a significant portion of the expenditures will be made for technology and distribution centers. Two new distribution centers are under construction in West Palm Beach, Florida, and the Dallas metropolitan area. Another is planned in northern Ohio, and an existing center in Woodland, California, will be expanded. This growth may necessitate future long-term borrowings.

Net cash used for financing activities was $63.3 million compared to $9.1 million a year ago. At August 31, 2000, the company had approximately $149 million in unused bank lines of credit and $100 million of unissued authorized debt securities, previously filed with the Securities and Exchange Commission.

During the first quarter of fiscal 2000, the company implemented Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This pronouncement provides guidance on the capitalization of costs related to internal use software. The adoption of this pronouncement has not had, nor is it expected to have, a material impact on the company's consolidated financial position or results of operations.

Cautionary Note Regarding Forward-Looking Statements

Certain statements and projections of future results made in this report constitute forward-looking information that is based on current market, competitive and regulatory expectations that involve risks and uncertainties. Those risks and uncertainties include changes in economic conditions generally or in the markets served by the company; consumer preferences and spending patterns; changes in state or federal legislation or regulations; the availability and cost of real estate and construction; competition; and risks of new business areas. Please see Walgreen Co.'s Form 10-K for the period ended August 31, 2000, for a discussion of certain other important factors as they relate to forward-looking statements. Actual results could differ materially.

THREE GENERATIONS OF WALGREENS, 1959

CONSOLIDATED STATEMENTS OF EARNINGS AND SHAREHOLDERS' EQUITY

Walgreen Co. and Subsidiaries for the Years Ended August 31, 2000, 1999 and 1998 (Dollars in Millions, except per share data)

	Earnings	*2000*	*1999*	*1998*
Net Sales		**$21,206.9**	**$17,838.8**	**$15,306.6**
Costs and Deductions	Cost of sales	**15,465.9**	**12,978.6**	**11,139.4**
	Selling, occupancy and administration	**4,516.9**	**3,844.8**	**3,332.0**
		19,982.8	**16,823.4**	**14,471.4**
Other (Income) Expense	Interest income	**(6.1)**	**(12.3)**	**(5.6)**
	Interest expense	**.4**	**.4**	**1.1**
	Other income	**(33.5)**	–	**(37.4)**
		(39.2)	**(11.9)**	**(41.9)**
Earnings	Earnings before income tax provision and cumulative effect of accounting change	**1,263.3**	**1,027.3**	**877.1**
	Income tax provision	**486.4**	**403.2**	**339.9**
	Earnings before cumulative effect of accounting change	**776.9**	**624.1**	**537.2**
	Cumulative effect of accounting change for system development costs	–	–	**(26.4)**
	Net Earnings	**$ 776.9**	**$ 624.1**	**$ 510.8**
Net Earnings per Common Share				
Basic	Earnings before cumulative effect of accounting change	**$ .77**	**$ .62**	**$ .54**
	Cumulative effect of accounting change for system development costs	–	–	**(.03)**
	Net Earnings	**$ .77**	**$ .62**	**$ .51**
Diluted	Earnings before cumulative effect of accounting change	**$ .76**	**$ .62**	**$ .54**
	Cumulative effect of accounting change for system development costs	–	–	**(.03)**
	Net Earnings	**$ .76**	**$ .62**	**$ .51**
	Average shares outstanding	**1,007,393,572**	**1,000,363,234**	**992,169,240**
	Dilutive effect of stock options	**12,495,236**	**13,918,481**	**13,523,672**
	Average shares outstanding assuming dilution	**1,019,888,808**	**1,014,281,715**	**1,005,692,912**

Shareholders' Equity	**Common Stock** Shares	**Common Stock** Amount	**Paid-in Capital**	**Retained Earnings**
Balance, August 31, 1997	**987,579,932**	**$77.2**	**$ 29.8**	**$2,266.3**
Net earnings	–	–	–	**510.8**
Cash dividends declared ($.125 per share)	–	–	–	**(124.1)**
Employee stock purchase and option plans	**8,907,112**	**.6**	**88.3**	–
Balance, August 31, 1998	**996,487,044**	**77.8**	**118.1**	**2,653.0**
Net earnings	–	–	–	**624.1**
Cash dividends declared ($.13 per share)	–	–	–	**(130.1)**
Employee stock purchase and option plans	**7,535,214**	**.6**	**140.8**	–
Balance, August 31, 1999	**1,004,022,258**	**78.4**	**258.9**	**3,147.0**
Net earnings	–	–	–	**776.9**
Cash dividends declared ($.135 per share)	–	–	–	**(136.1)**
Employee stock purchase and option plans	**6,796,632**	**.6**	**108.3**	–
Balance, August 31, 2000	**1,010,818,890**	**$79.0**	**$367.2**	**$3,787.8**

The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.


CORNER STORE, 1920s

CONSOLIDATED BALANCE SHEETS

Walgreen Co. and Subsidiaries at August 31, 2000 and 1999 (Dollars in Millions)

	Assets	*2000*	*1999*
Current Assets	Cash and cash equivalents	$ 12.8	$ 141.8
	Accounts receivable, net	614.5	486.5
	Inventories	2,830.8	2,462.6
	Other current assets	92.0	130.8
	Total Current Assets	3,550.1	3,221.7
Non-Current Assets	Property and equipment, at cost, less accumulated depreciation and amortization	3,428.2	2,593.9
	Other non-current assets	125.4	91.1
	Total Assets	$7,103.7	$5,906.7

	Liabilities and Shareholders' Equity		
Current Liabilities	Trade accounts payable	$1,364.0	$1,130.3
	Accrued expenses and other liabilities	847.7	730.1
	Income taxes	92.0	63.4
	Total Current Liabilities	2,303.7	1,923.8
Non-Current Liabilities	Deferred income taxes	101.6	74.8
	Other non-current liabilities	464.4	423.8
	Total Non-Current Liabilities	566.0	498.6
Shareholders' Equity	Preferred stock, $.0625 par value; authorized 32 million shares; none issued	–	–
	Common stock, $.078125 par value; authorized 3.2 billion shares; issued and outstanding 1,010,818,890 in 2000 and 1,004,022,258 in 1999	79.0	78.4
	Paid-in capital	367.2	258.9
	Retained earnings	3,787.8	3,147.0
	Total Shareholders' Equity	4,234.0	3,484.3
	Total Liabilities and Shareholders' Equity	$7,103.7	$5,906.7

The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

CHICAGO WORLD'S FAIR SODA FOUNTAIN, 1933

CONSOLIDATED STATEMENTS OF CASH FLOWS

Walgreen Co. and Subsidiaries for the Years Ended August 31, 2000, 1999 and 1998 (In Millions)

Fiscal Year		*2000*	*1999*	*1998*
Cash Flows from Operating Activities	Net earnings	**$ 776.9**	**$ 624.1**	**$ 510.8**
	Adjustments to reconcile net earnings to net cash provided by operating activities –			
	Cumulative effect of accounting change for system development costs	**–**	**–**	**26.4**
	Depreciation and amortization	**230.1**	**210.1**	**189.6**
	Deferred income taxes	**21.0**	**(9.4)**	**(.8)**
	Gain on sale of long-term care pharmacies	**–**	**–**	**(37.4)**
	Income tax savings from employee stock plans	**38.5**	**26.8**	**25.3**
	Other	**13.6**	**12.2**	**28.7**
	Changes in operating assets and liabilities –			
	Inventories	**(368.2)**	**(435.7)**	**(298.8)**
	Trade accounts payable	**233.7**	**223.4**	**94.2**
	Accounts receivable, net	**(135.4)**	**(106.0)**	**(19.7)**
	Accrued expenses and other liabilities	**101.2**	**103.7**	**99.3**
	Income taxes	**28.6**	**8.6**	**(17.2)**
	Other	**31.7**	**(5.8)**	**(3.9)**
	Net cash provided by operating activities	**971.7**	**652.0**	**596.5**
Cash Flows from Investing Activities	Additions to property and equipment	**(1,119.1)**	**(696.3)**	**(641.0)**
	Disposition of property and equipment	**22.9**	**41.7**	**71.9**
	Net borrowing from corporate-owned life insurance	**11.1**	**9.1**	**8.8**
	Proceeds from the surrender of corporate-owned life insurance	**47.7**	**–**	**58.0**
	Net cash used for investing activities	**(1,037.4)**	**(645.5)**	**(502.3)**
Cash Flows from Financing Activities	Cash dividends paid	**(134.6)**	**(128.6)**	**(122.6)**
	Proceeds from employee stock plans	**79.2**	**105.0**	**79.8**
	Other	**(7.9)**	**14.5**	**20.1**
	Net cash used for financing activities	**(63.3)**	**(9.1)**	**(22.7)**
Changes in Cash and Cash Equivalents	Net (decrease) increase in cash and cash equivalents	**(129.0)**	**(2.6)**	**71.5**
	Cash and cash equivalents at beginning of year	**141.8**	**144.4**	**72.9**
	Cash and cash equivalents at end of year	**$ 12.8**	**$ 141.8**	**$ 144.4**

The accompanying Statement of Major Accounting Policies and the Notes to Consolidated Financial Statements are integral parts of these statements.

PHOTO COUNTER, 1951

STATEMENT OF MAJOR ACCOUNTING POLICIES

Description of Business

The company is principally in the retail drugstore business. Stores are located in 43 states and Puerto Rico. At August 31, 2000, there were 3,162 retail drugstores and three mail service facilities. Prescription sales were 55.2% of total sales for fiscal 2000 compared to 52.4% in 1999 and 49.6% in 1998.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. The company's operations are within one reportable segment.

Accounting Change

The EITF (Emerging Issues Task Force) consensus reached on November 20, 1997, "EITF 97-13," requires that the cost of business process reengineering activities that are part of a project to acquire, develop or implement internal use software, whether done internally or by third parties, be expensed as incurred. Previously, the company capitalized these costs as systems development costs. The change, effective as of September 1, 1997, resulted in a cumulative pre-tax charge of $43.1 million, or $.03 per share, recorded in the quarter ended November 30, 1997.

Basis of Presentation

The consolidated statements include the accounts of the company and its subsidiaries. All significant intercompany transactions have been eliminated. The financial statements are prepared in accordance with generally accepted accounting principles and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less. The company's cash management policy provides for the bank disbursement accounts to be reimbursed on a daily basis. Checks issued but not presented to the banks for payment of $211 million and $191 million at August 31, 2000 and 1999, respectively, are included in cash and cash equivalents as reductions of other cash balances.

Financial Instruments

The company had approximately $89 million and $57 million of outstanding letters of credit at August 31, 2000 and 1999, respectively, which guaranteed foreign trade purchases. Additional outstanding letters of credit of $62 million and $43 million at August 31, 2000 and 1999, respectively, guaranteed payments of casualty claims. The casualty claim letters of credit are annually renewable and will remain in place until the casualty claims are paid in full. The company pays a nominal facility fee to the financing bank to keep this line of credit facility active. The company also had purchase commitments of approximately $525 million and $342 million at August 31, 2000 and 1999, respectively, related to the purchase of store locations. There were no investments in derivative financial instruments during fiscal 2000 and 1999.

Inventories

Inventories are valued on a lower of last-in, first-out (LIFO) cost or market basis. At August 31, 2000 and 1999, inventories would have been greater by $574.8 million and $536.0 million, respectively, if they had been valued on a lower of first-in, first-out (FIFO) cost or market basis. Cost of sales is primarily derived from an estimate based upon point-of-sale scanning information and adjusted based on periodic inventories.

Property and Equipment

Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements and leased properties under capital leases are amortized over the estimated physical life of the property or over the term of the lease, whichever is shorter. Estimated useful lives range from 12½ to 39 years for land improvements, buildings and building improvements and 5 to 12½ years for equipment. Major repairs, which extend the useful life of an asset, are capitalized in the property and equipment accounts. Routine maintenance and repairs are charged against earnings. The composite method of depreciation is used for equipment; therefore, gains and losses on retirement or other disposition of such assets are included in earnings only when an operating location is closed, completely remodeled or impaired resulting in the carrying amount not being recoverable. Impaired assets write-offs are measured by comparing the present value of the estimated future cash flows to the carrying value of the assets. The present value of future lease costs is charged against earnings when a commitment makes it probable that the location will close before the end of the lease term. Fully depreciated property and equipment are removed from the cost and related accumulated depreciation and amortization accounts.

Property and equipment consists of *(In Millions)*:

	2000	*1999*
Land and land improvements		
Owned stores	**$ 821.8**	**$ 513.7**
Distribution centers	**33.3**	**21.1**
Other locations	**14.9**	**12.2**
Buildings and building improvements		
Owned stores	**870.4**	**564.2**
Leased stores		
(leasehold improvements only)	**354.4**	**366.3**
Distribution centers	**203.4**	**171.3**
Other locations	**61.4**	**48.8**
Equipment		
Stores	**1,266.8**	**1,068.6**
Distribution centers	**219.6**	**214.3**
Other locations	**452.8**	**390.0**
Capitalized system development costs	**99.8**	**79.4**
Capital lease properties	**21.1**	**22.8**
	4,419.7	**3,472.7**
Less: accumulated depreciation and amortization	**991.5**	**878.8**
	$3,428.2	**$2,593.9**

PHOENIX, 1940s

STATEMENT OF MAJOR ACCOUNTING POLICIES

(continued)

The company capitalizes costs that primarily relate to the application development stage of significant internally developed software. These costs principally relate to Intercom Plus, a pharmacy computer and workflow system. These costs are amortized over a five-year period. Amortization of these costs was $13.1 million in 2000, $15.6 million in 1999 and $13.0 million in 1998. Unamortized costs as of August 31, 2000 and 1999, were $65.2 million and $51.3 million, respectively.

Income Taxes

The company provides for federal and state income taxes on items included in the Consolidated Statements of Earnings regardless of the period when such taxes are payable. Deferred taxes are recognized for temporary differences between financial and income tax reporting based on enacted tax laws and rates.

Insurance

The company obtains insurance coverage for catastrophic exposures as well as those risks required to be insured by law. It is the company's policy to retain a significant portion of certain losses related to worker's compensation, property losses, business interruptions relating from such losses and comprehensive general, pharmacist and vehicle liability. Provisions for these losses are recorded based upon the company's estimates for claims incurred. Such estimates use certain assumptions followed in the insurance industry.

Pre-Opening Expenses

Non-capital expenditures incurred prior to the opening of a new or remodeled store are charged against earnings when they are incurred.

Advertising Costs

Advertising costs are expensed as incurred, and were $76.7 million in 2000, $58.7 million in 1999 and $59.7 million in 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest Expense

The company capitalized $4.0 million, $2.6 million and $1.6 million of interest expense as part of significant construction projects during fiscal 2000, 1999 and 1998. Interest paid, net of amounts capitalized, was $.2 million in 2000, $.4 million in 1999 and $.8 million in 1998.

Other Income

In July 2000, the company received a partial payment of the brand name prescription drugs antitrust litigation settlement for pre-tax income of $33.5 million ($20.5 million after-tax or $.02 per share). The company was involved in the pharmacy class action against drug manufacturers, which resulted in a $700 million settlement for all recipients. The timing and amount of any future payments have yet to be determined.

The fiscal 1998 gain of $37.4 million ($22.9 million after-tax or $.02 per share) resulted from the sale of its long-term care pharmacy business.

Leases

Although some locations are owned, the company generally operates in leased premises. Original non-cancelable lease terms typically are 20 years and may contain escalation clauses, along with options that permit renewals for additional periods. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease. In addition to minimum fixed rentals, most leases provide for contingent rentals based upon sales.

Minimum rental commitments at August 31, 2000, under all leases having an initial or remaining non-cancelable term of more than one year are shown below *(In Millions)*:

Year	
2001	**$ 673.7**
2002	**715.2**
2003	**704.0**
2004	**691.3**
2005	**679.8**
Later	**7,702.9**
Total minimum lease payments	**$11,166.9**

The above minimum lease payments include minimum rental commitments related to capital leases amounting to $16.2 million at August 31, 2000. The present value of net minimum capital lease payments, due after 2001, are reflected in the accompanying Consolidated Balance Sheets as part of other non-current liabilities. Total minimum lease payments have not been reduced by minimum sublease rentals of approximately $32.8 million on leases due in the future under non-cancelable subleases.

Rental expense was as follows *(In Millions)*:

	2000	*1999*	*1998*
Minimum rentals	**$605.7**	**$482.0**	**$405.8**
Contingent rentals	**31.4**	**34.8**	**35.2**
Less: Sublease rental income	**(7.6)**	**(5.4)**	**(3.7)**
	$629.5	**$511.4**	**$437.3**

Income Taxes

The provision for income taxes consists of the following *(In Millions)*:

	2000	*1999*	*1998*
Current provision – Federal	**$400.9**	**$350.5**	**$290.2**
– State	**64.5**	**62.1**	**50.5**
	465.4	**412.6**	**340.7**
Deferred provision – Federal	**17.7**	**(8.0)**	**(2.2)**
– State	**3.3**	**(1.4)**	**1.4**
	21.0	**(9.4)**	**(.8)**
	$486.4	**$403.2**	**$339.9**

The components of the deferred provision were *(In Millions)*:

	2000	*1999*	*1998*
Accelerated depreciation	**$ 51.5**	**$ 9.7**	**$ 22.2**
Employee benefit plans	**(17.7)**	**(12.2)**	**(10.4)**
Accrued rent	**(5.2)**	**(8.7)**	**(5.9)**
Inventory	**(2.3)**	**11.1**	**(2.6)**
Other	**(5.3)**	**(9.3)**	**(4.1)**
	$ 21.0	**$ (9.4)**	**$ (.8)**


ST. LOUIS, 1945

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The deferred tax assets and liabilities included in the Consolidated Balance Sheets consist of the following *(In Millions)*:

	2000	1999
Deferred tax assets –		
Employee benefit plans	**$135.4**	**$117.8**
Accrued rent	**54.9**	**49.7**
Insurance	**52.6**	**41.6**
Inventory	**23.6**	**17.6**
Other	**38.9**	**42.4**
	305.4	**269.1**
Deferred tax liabilities –		
Accelerated depreciation	**292.0**	**240.5**
Inventory	**69.8**	**66.0**
Other	**13.0**	**11.0**
	374.8	**317.5**
Net deferred tax liabilities	**$ 69.4**	**$ 48.4**

Income taxes paid were $398.4 million, $377.3 million and $332.8 million during the fiscal years ended August 31, 2000, 1999 and 1998, respectively. The difference between the statutory income tax rate and the effective tax rate is principally due to state income tax provisions.

Short-Term Borrowings

The company obtained funds through the placement of commercial paper, as follows *(Dollars in Millions)*:

	2000	1999	1998
Average outstanding during the year	**$14.0**	**$ 9.6**	**$17.8**
Largest month-end balance	**98.0**	**100.0**	**50.0**
	(Nov)	*(Nov)*	*(Oct)*
Weighted-average interest rate	**5.9%**	**5.1%**	**5.7%**

At August 31, 2000, the company had approximately $149 million of available bank lines of credit. The credit lines are renewable annually at various dates and provide for loans of varying maturities at the prime rate. There are no compensating balance arrangements.

Contingencies

The company is involved in various legal proceedings incidental to the normal course of business. Company management is of the opinion, based upon the advice of General Counsel, that although the outcome of such litigation cannot be forecast with certainty, the final disposition should not have a material adverse effect on the company's consolidated financial position or results of operations.

Capital Stock

The company's common stock is subject to a Rights Agreement under which each share has attached to it a Right to purchase one one-hundredth of a share of a new series of Preferred Stock, at a price of $37.50 per Right. In the event an entity acquires or attempts to acquire 15% of the then outstanding shares, each Right, except those of an acquiring entity, would entitle the holder to purchase a number of shares of common stock pursuant to a formula contained in the Agreement. These non-voting Rights will expire on August 21, 2006, but may be redeemed at a price of $.0025 per Right at any time prior to a public announcement that the above event has occurred.

As of August 31, 2000, 100,327,778 shares of common stock were reserved for future stock issuances under the company's various employee benefit plans. Preferred stock of 10,108,189 shares have been reserved for issuance upon the exercise of Preferred Share Purchase Rights.

Stock Compensation Plans

The Walgreen Co. Executive Stock Option Plan provides for the granting to key employees of options to purchase company common stock over a 10-year period, at a price not less than the fair market value on the date of the grant. Under this Plan, options may be granted until October 9, 2006, for an aggregate of 38,400,000 shares of common stock of the company. The options granted during fiscal 2000, 1999 and 1998 have a minimum three-year holding period.

The Walgreen Co. Stock Purchase/Option Plan (Share Walgreens) provides for the granting of options to purchase company common stock over a period of 10 years to eligible employees upon the purchase of company shares subject to certain restrictions. Under the terms of the Plan, the option price cannot be less than 85% of the fair market value at the date of grant. Compensation expense related to the Plan was less than $1 million in fiscal 2000, 1999 and 1998. Options may be granted under this Plan until September 30, 2002, for an aggregate of 40,000,000 shares of common stock of the company. The options granted during fiscal 2000, 1999 and 1998 have a two-year holding period.

On May 11, 2000, substantially all employees, in conjunction with opening the company's 3,000th store, were granted a stock option award to purchase from 75 to 500 shares, based on years of service. The stock option award, issued at fair market value on the date of the grant, represents a total of 14,859,275 shares of Walgreen Co. common stock. The options vest after three years and are exercisable up to ten years after the grant date.

A summary of information relative to the company's stock option plans follows:

	Options Outstanding		Options Exercisable	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
August 31, 1997	**33,565,832**	**$ 5.70**		
Granted	**1,972,162**	**14.02**		
Exercised	**(5,667,682)**	**3.78**		
Canceled/Forfeited	**(264,356)**	**8.54**		
August 31, 1998	**29,605,956**	**$ 6.59**	**18,255,338**	**$4.62**
Granted	**2,606,350**	**19.70**		
Exercised	**(3,644,250)**	**5.71**		
Canceled/Forfeited	**(88,818)**	**9.81**		
August 31, 1999	**28,479,238**	**$ 7.89**	**21,821,426**	**$5.91**
Granted	**17,040,383**	**28.43**		
Exercised	**(5,055,842)**	**5.59**		
Canceled/Forfeited	**(1,086,118)**	**27.39**		
August 31, 2000	**39,377,661**	**$16.55**	**19,267,211**	**$6.45**

LAFAYETTE, LOUISIANA, 1960s

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The following table summarizes information concerning currently outstanding and exercisable options:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 8/31/00	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 8/31/00	Weighted-Average Exercise Price
$ 1 to 5	**11,677,822**	**3.12 yrs.**	**$ 4.75**	**11,677,822**	**$ 4.75**
6 to 13	**8,701,577**	**6.23**	**9.62**	**7,588,949**	**9.07**
14 to 32	**18,998,262**	**9.35**	**26.99**	**440**	**20.94**
$ 1 to 32	**39,377,661**	**6.81 yrs.**	**$16.55**	**19,267,211**	**$ 6.45**

Under the Walgreen Co. 1982 Employees Stock Purchase Plan, eligible employees may purchase company stock at 90% of the fair market value at the date of purchase. Employees may purchase shares through cash purchases, loans or payroll deductions up to certain limits. The aggregate number of shares for which all participants have the right to purchase under this Plan is 64,000,000.

The Walgreen Co. Restricted Performance Share Plan provides for the granting of up to 32,000,000 shares of common stock to certain key employees, subject to restrictions as to continuous employment except in the case of death, normal retirement and total and permanent disability. Restrictions generally lapse over a four-year period from the date of grant. Compensation expense is recognized in the year of grant. Compensation expense related to the Plan was $5.1 million in fiscal 2000, $3.7 million in fiscal 1999 and $4.6 million in fiscal 1998. The number of shares granted was 84,746 in 2000, 95,038 in 1999 and 130,350 in 1998.

The company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized based on the fair value of its grants under these plans. Had compensation costs been determined consistent with the method of FASB Statement No. 123 for options granted in fiscal 2000, 1999 and 1998, pro forma net earnings and net earnings per common share would have been as follows *(In Millions, except per share data)*:

	2000	1999	1998
Net earnings			
As reported	**$776.9**	**$624.1**	**$510.8**
Pro forma	**754.3**	**605.3**	**497.2**
Net earnings per common share – Basic			
As reported	**.77**	**.62**	**.51**
Pro forma	**.75**	**.61**	**.50**
Net earnings per common share – Diluted			
As reported	**.76**	**.62**	**.51**
Pro forma	**.74**	**.60**	**.50**

The weighted-average fair value and exercise price of options granted for fiscal 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Granted at market price –			
Weighted-average fair value	**$12.17**	**$ 6.99**	**$ 5.27**
Weighted-average exercise price	**28.44**	**19.61**	**14.08**
Granted below market price –			
Weighted-average fair value	**10.56**	**9.45**	**4.81**
Weighted-average exercise price	**24.12**	**20.89**	**13.83**

The fair value of each option grant used in the pro forma net earnings and net earnings per share was determined using the Black-Scholes option pricing model with weighted-average assumptions used for grants in fiscal 2000, 1999 and 1998:

	2000	1999	1998
Risk-free interest rate	**6.64%**	**5.11%**	**6.19%**
Average life of option (years)	**7**	**7**	**7**
Volatility	**25.86%**	**21.78%**	**20.39%**
Dividend yield	**.27%**	**.32%**	**.53%**

Retirement Benefits

The principal retirement plan for employees is the Walgreen Profit-Sharing Retirement Trust to which both the company and the employees contribute. The company's contribution, which is determined annually at the discretion of the Board of Directors, has historically related to pre-tax income. The profit-sharing provision was $112.4 million in 2000, $91.4 million in 1999 and $78.7 million in 1998.

The company provides certain health and life insurance benefits for retired employees who meet eligibility requirements, including age and years of service. The costs of these benefits are accrued over the period earned. At August 31, 2000, the unrecognized actuarial loss was $5.1 million compared to a $.7 million gain at August 31, 1999. The company's postretirement health and life benefit plans currently are not funded.

Components of net periodic benefit costs *(In Millions)*:

	2000	1999	1998
Service cost	**$ 4.7**	**$ 5.2**	**$ 4.3**
Interest cost	**7.7**	**7.3**	**6.8**
Amortization of actuarial loss	**–**	**.4**	**–**
Total postretirement healthcare benefits costs	**$12.4**	**$12.9**	**$11.1**

Change in benefit obligation *(In Millions)*:

	2000	1999
Benefit obligation at September 1	**$104.6**	**$105.6**
Service cost	**4.7**	**5.2**
Interest cost	**7.7**	**7.3**
Actuarial loss (gain)	**5.7**	**(9.9)**
Benefit payments	**(4.9)**	**(4.4)**
Participants contributions	**.8**	**.8**
Benefit obligation at August 31	**$118.6**	**$104.6**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The discount rate assumptions used to compute the postretirement benefit obligation at year-end were 7.5% for 2000 and 1999.

Future benefit costs were estimated assuming medical costs would increase at a 6.5% annual rate decreasing to 5% over the next 5 years and then remaining at a 5% annual growth rate thereafter. A one percentage point change in the assumed medical cost trend rate would have the following effects *(In Millions)*:

	1% Increase	*1% Decrease*
Effect on service and interest cost	**$ 3.5**	**$ (2.6)**
Effect on postretirement obligation	**23.9**	**(18.5)**

Supplementary Financial Information

Included in the Consolidated Balance Sheets captions are the following assets and liabilities *(In Millions)*:

	2000	*1999*
Accounts receivable –		
Accounts receivable	**$631.4**	**$495.5**
Allowances for doubtful accounts	**(16.9)**	**(9.0)**
	$614.5	**$486.5**
Accrued expenses and other liabilities –		
Accrued salaries	**$266.4**	**$239.4**
Taxes other than income taxes	**125.4**	**104.1**
Profit sharing	**110.7**	**89.5**
Other	**345.2**	**297.1**
	$847.7	**$730.1**

Summary of Quarterly Results *(Unaudited)*

(Dollars in Millions, except per share data)

		Quarter Ended				
		November	*February*	*May*	*August*	*Fiscal Year*
Fiscal 2000	Net sales	**$4,823.2**	**$5,608.8**	**$5,394.1**	**$5,380.8**	**$21,206.9**
	Gross profit	**1,272.2**	**1,543.5**	**1,451.0**	**1,474.3**	**5,741.0**
	Net earnings	**127.8**	**238.9**	**193.6**	**216.6**	**776.9**
	Per Common Share – Basic	**$ .13**	**$ .23**	**$ .20**	**$ .21**	**$ .77**
	– Diluted	**.13**	**.23**	**.19**	**.21**	**.76**
Fiscal 1999	Net sales	**$4,016.4**	**$4,691.0**	**$4,571.4**	**$4,560.0**	**$17,838.8**
	Gross profit	**1,074.7**	**1,298.6**	**1,240.7**	**1,246.2**	**4,860.2**
	Net earnings	**104.0**	**200.2**	**159.3**	**160.6**	**624.1**
	Per Common Share – Basic	**$ .10**	**$ .20**	**$ .16**	**$ .16**	**$ .62**
	– Diluted	**.10**	**.20**	**.16**	**.16**	**.62**

Comments on Quarterly Results: In further explanation of and supplemental to the quarterly results, the 2000 fourth quarter LIFO adjustment was a credit of $8.7 million compared to a 1999 credit of $.7 million. If the 2000 interim results were adjusted to reflect the actual inventory inflation rates and inventory levels as computed at August 31, 2000, earnings per share would have been higher in the first quarter by $.01 and lower in the fourth quarter by $.01. Similar adjustments in 1999 would have increased earnings per share in the second quarter by $.01 and decreased the fourth quarter by $.01.

The quarter ended August 31, 2000, includes the pre-tax income of $33.5 million ($20.5 million after-tax or $.02 per share) from the partial payment of the brand name prescription drugs litigation settlement.

Common Stock Prices

Below are the New York Stock Exchange high and low for each quarter of fiscal 2000 and 1999.

		Quarter Ended				
		November	*February*	*May*	*August*	*Fiscal Year*
Fiscal 2000	High	**$29 15/16**	**$32 3/4**	**$29 3/16**	**$35 1/4**	**$35 1/4**
	Low	**23 9/16**	**25 13/16**	**22 3/4**	**27 9/16**	**22 3/4**
Fiscal 1999	High	**$27 3/8**	**$33 1/16**	**$30 15/16**	**$29 7/8**	**$33 1/16**
	Low	**20 3/8**	**26 5/16**	**23 1/4**	**23 3/16**	**20 3/8**

PUERTO RICO, 1960

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Walgreen Co.:

We have audited the accompanying consolidated balance sheets of Walgreen Co. (an Illinois corporation) and Subsidiaries as of August 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walgreen Co. and Subsidiaries as of August 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2000 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois,
October 6, 2000

MANAGEMENT'S REPORT

The primary responsibility for the integrity and objectivity of the consolidated financial statements and related financial data rests with the management of Walgreen Co. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and included amounts that were based on management's most prudent judgments and estimates relating to matters not concluded by fiscal year-end. Management believes that all material uncertainties have been either appropriately accounted for or disclosed. All other financial information included in this annual report is consistent with the financial statements.

The firm of Arthur Andersen LLP, independent public accountants, was engaged to render a professional opinion on Walgreen Co.'s consolidated financial statements. Their report contains an opinion based on their audit, which was made in accordance with generally accepted auditing standards and procedures, which they believed were sufficient to provide reasonable assurance that the consolidated financial statements, considered in their entirety, are not misleading and do not contain material errors.

Four outside members of the Board of Directors constitute the company's Audit Committee, which meets at least quarterly and is responsible for reviewing and monitoring the company's financial and accounting practices. Arthur Andersen LLP and the company's General Auditor meet alone with the Audit Committee, which also meets with the company's management to discuss financial matters, auditing and internal accounting controls.

The company's systems are designed to provide an effective system of internal accounting controls to obtain reasonable assurance at reasonable cost that assets are safeguarded from material loss or unauthorized use and transactions are executed in accordance with management's authorization and properly recorded. To this end, management maintains an internal control environment which is shaped by established operating policies and procedures, an appropriate division of responsibility at all organizational levels, and a corporate ethics policy which is monitored annually. The company also has an Internal Control Evaluation Committee, composed primarily of senior management from the Accounting and Auditing Departments, which oversees the evaluation of internal controls on a company-wide basis. Management believes it has appropriately responded to the internal auditors' and independent public accountants' recommendations concerning the company's internal control system.

L. Daniel Jorndt
Chairman of the Board
and Chief Executive Officer

William M. Rudolphsen
Controller
and Chief Accounting Officer

Roger L. Polark
Senior Vice President
and Chief Financial Officer

BOARD OF DIRECTORS

Directors

L. Daniel Jorndt
Chairman and
Chief Executive Officer
Elected 1990

David W. Bernauer
President and
Chief Operating Officer
Elected 1999

Vernon A. Brunner*
Executive Vice President,
Marketing
Elected 2000

William C. Foote
Chairman of the Board,
Chief Executive Officer
and President
USG Corporation
Elected 1997

James J. Howard
Chairman of the Board
Xcel Energy, Inc.
Elected 1986

Alan G. McNally
Chairman and
Chief Executive Officer
Harris Bankcorp Inc.
Elected 1999

Cordell Reed
Former Senior Vice President
Commonwealth Edison Co.
Elected 1994

David Y. Schwartz
Former Partner
Arthur Andersen LLP
Elected 2000

John B. Schwemm
Former Chairman and
Chief Executive Officer
R.R. Donnelley & Sons Co.
Elected 1985

Marilou M. von Ferstel
Former Executive Vice President
and General Manager
Ogilvy Adams & Rinehart
Elected 1987

Charles R. Walgreen III
Chairman Emeritus
Elected 1963

* *Retiring in January 2001*

Committees

Executive Committee
L. Daniel Jorndt,
Chairman
David W. Bernauer
Vernon A. Brunner*
Cordell Reed
John B. Schwemm

Audit Committee
John B. Schwemm,
Chairman
William C. Foote
David Y. Schwartz
Marilou M. von Ferstel

Compensation Committee
Cordell Reed,
Chairman
James J. Howard
John B. Schwemm

Finance Committee
David Y. Schwartz,
Chairman
David W. Bernauer
L. Daniel Jorndt
Alan G. McNally
Cordell Reed
Charles R. Walgreen III

Nominating and Governance Committee
William C. Foote,
Chairman
James J. Howard
John B. Schwemm
Marilou M. von Ferstel

OFFICERS

As of October 31, 2000

Corporate

Chairman
L. Daniel Jorndt
Chief Executive Officer

President
David W. Bernauer
Chief Operating Officer

Executive Vice Presidents
Vernon A. Brunner**
Marketing
Jerome B. Karlin
Store Operations

Senior Vice Presidents
R. Bruce Bryant
Western Store Operations
W. Lynn Earnest
Central Store Operations
George C. Eilers
Eastern Store Operations
J. Randolph Lewis
Distribution & Logistics
Julian A. Oettinger
General Counsel and
Corporate Secretary
Roger L. Polark
Chief Financial Officer
William A. Shiel
Facilities Development

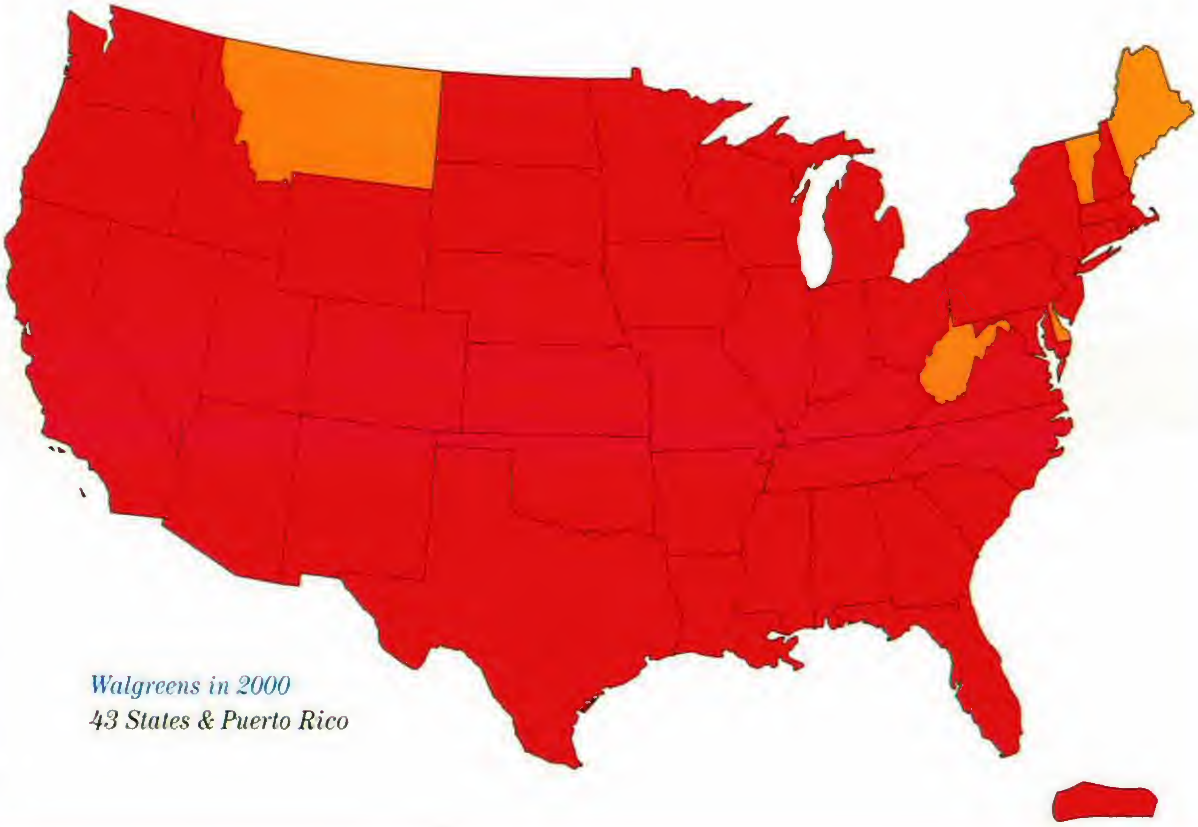
Vice Presidents
John W. Gleeson
Corporate Strategy
Dana I. Green
Human Resources
Robert H. Halaska
President
Walgreens Health Initiatives
Dennis R. O'Dell
Health Services
Jeffrey A. Rein**
Marketing Systems and
Services
Robert E. Sgarlata
Retail Marketing
Trent E. Taylor
Chief Information Officer
Mark A. Wagner
Treasurer

Operational and Divisional

Store Operations Vice Presidents
James F. Cnota
Kermit R. Crawford
David L. Gloudemans
William M. Handal
Patrick E. Hanifen
Don R. Holman
Robert M. Kral
Barry L. Markl
Richard Robinson
Michael D. Tovian
Bill J. Vernon
Kevin P. Walgreen
Gregory D. Wasson
Christine D. Whelan
Edward E. Williams
Bruce C. Zarkowsky

Divisional Vice Presidents
Thomas Bergseth
Facilities Planning and Design
Thomas J. Connolly
Real Estate
Laurie L. Meyer
Corporate Communications
Allan M. Resnick
Law
Robert E. Rogan
Distribution Centers
Jerry A. Rubin
Real Estate
William M. Rudolphsen
Controller
James M. Schultz
Performance Development
Craig M. Sinclair
Advertising
Terry R. Watkins
Distribution Centers
Kenneth R. Weigand
Employee Relations
Chester G. Young
General Auditor

** *Vernon A. Brunner will retire in January 2001. Jeffrey A. Rein has been nominated to replace him as Executive Vice President.*



Walgreens in 2000
43 States & Puerto Rico

3,000 and Growing

A DECADE OF TRANSITION

	1990	2000
Total Stores	1,564	3,165
Freestanding Stores	155	2,118
24-hour Stores	55	690
1-hour Photo Stores	2	3,007
Drive-thru Pharmacies	1	1,990

WE GO WHERE THE PEOPLE GO

Fastest Growing States	Stores Today	Stores in 2004
Texas	333	480
California	234	450
Florida	494	700
Georgia	9	100
Arizona	154	250

STATE	1999	2000
Alabama	5	8
Arizona	144	154
Arkansas	12	14
California	212	234
Colorado	55	59
Connecticut	31	31
Florida	442	494
Georgia	0	9
Idaho	1	6
Illinois	371	398
Indiana	106	116
Iowa	36	40
Kansas	22	27
Kentucky	40	45
Louisiana	61	69
Maryland	0	3
Massachusetts	76	80
Michigan	61	88
Minnesota	67	72
Mississippi	13	14
Missouri	93	112
Nebraska	33	35
Nevada	28	32
New Hampshire	10	10
New Jersey	41	46
New Mexico	40	42
New York	41	48
North Carolina	5	8
North Dakota	1	1
Ohio	82	93
Oklahoma	30	36
Oregon	13	15
Pennsylvania	10	15
Rhode Island	15	15
South Carolina	2	3
South Dakota	2	4
Tennessee	96	111
Texas	304	333
Utah	0	1
Virginia	19	24
Washington	26	33
Wisconsin	128	136
Wyoming	0	1
Puerto Rico	47	50
Total	2,821	3,165

All information on this page is provided as of fiscal year-end.

DRUGSTORES AND SALES OVERVIEW

Fiscal Year		2000	1999	1998	1997	1996
Drugstores	Openings					
	New Stores	**461**	**386**	**303**	**247**	**205**
	Acquisitions	**1**	**–**	**1**	**4**	**5**
	Remodelings	**30**	**33**	**47**	**46**	**71**
	Closings	**118**	**114**	**113**	**86**	**102**
	Year-end: Units *(1)*	**3,165**	**2,821**	**2,549**	**2,358**	**2,193**
	Year-end: Sales Area *(2)*	**33,684**	**29,230**	**26,024**	**23,935**	**22,124**
Product Class Sales	Prescription Drugs	**55%**	**52%**	**50%**	**47%**	**45%**
	Nonprescription Drugs *(3)*	**11**	**12**	**12**	**13**	**13**
	Cosmetics, Toiletries *(3)*	**8**	**8**	**8**	**8**	**8**
	General Merchandise *(3)*	**26**	**28**	**30**	**32**	**34**

(1) Includes 56 pharmacy-only units and three mail service facilities at August 31, 2000.

(2) In thousands of square feet.

(3) Estimates based, in part, on store scanning information.

SHAREHOLDER INFORMATION

Corporate Headquarters

Walgreen Co.
200 Wilmot Road
Deerfield, Illinois 60015
(847) 940-2500

Internet Address

Major press releases and other information are available on Walgreens website: www.walgreens.com

Stock Market Listings

New York Stock Exchange
Chicago Stock Exchange
Symbol: WAG

Investor Contacts

Rick J. Hans
Mark A. Wagner

Annual Shareholders' Meeting

You are cordially invited to attend the meeting to be held Wednesday, January 10, 2001, 2 p.m. CST in the Grand Ballroom, Navy Pier, Chicago, Illinois.

Formal notice of the meeting, with proxy card and proxy statement, was mailed to all shareholders of record as of November 13, 2000.

Shareholder Communications

Please address inquiries or comments to:

Shareholder Relations
Walgreen Co. – Mail Stop #2261
200 Wilmot Road
Deerfield, Illinois 60015
(847) 914-2972

The company's annual report to the Securities and Exchange Commission, Form 10-K, may be obtained by any shareholder, free of charge, upon written request.

Quarterly Reports

Quarterly earnings release dates for 2001 are January 2, March 26, June 25 and October 1. Results are released to the press and posted on Walgreens website. Quarterly reports are also mailed to shareholders on request. You may request reports at any time by contacting Shareholder Relations at (847) 914-2972.

Dividend Payment Dates

Walgreens pays dividends in March, June, September and December. Checks are customarily mailed on the 12th of each of these months.

Transfer Agent and Registrar

For assistance on matters such as lost shares or name changes on shares, please contact:

Computershare Investor Services
2 North LaSalle Street
Chicago, Illinois 60602
Website: www.computershare.com
E-mail: web.queries@computershare.com
Phone: (888) 368-7346

Direct Stock Purchase Plan

Computershare Investor Services sponsors and administers a direct stock purchase plan as a convenient method of acquiring Walgreen stock by cash payments, reinvestment of dividends, or both. For an information booklet and enrollment form, please call (888) 368-7346 (shareholders) or (888) 290-7264 (non-shareholders). General inquiries to Computershare Investor Services regarding your Walgreen stock should be directed to (888) 368-7346.

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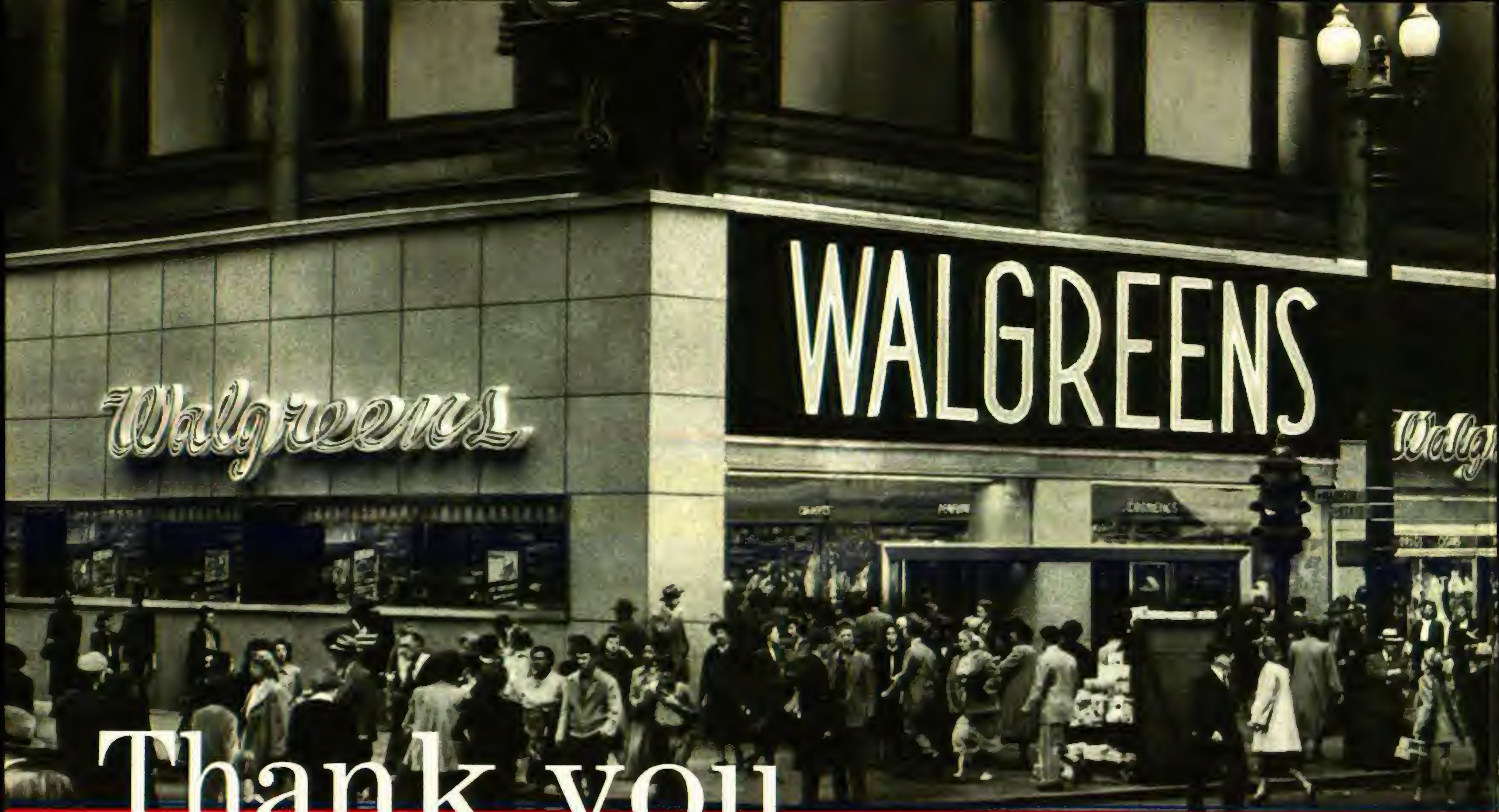
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